

HABITAT FOR HUMANITY GREATER BOSTON, INC.

**Financial Statements
JUNE 30, 2008**

HABITAT FOR HUMANITY GREATER BOSTON, INC.

FINANCIAL STATEMENTS
JUNE 30, 2008

Table of Contents

	<u>PAGE</u>
Independent Auditors' Report	1
<u>Financial Statements</u>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-12

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To the Board of Directors of
Habitat for Humanity Greater Boston, Inc.
Boston, Massachusetts

Independent Auditors' Report

We have audited the accompanying statement of financial position of Habitat for Humanity Greater Boston, Inc. as of June 30, 2008, and the related statements of activities, functional expenses and cash flows for the six months then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity Greater Boston, Inc. as of June 30, 2008, and the changes in its net assets and its cash flows for the six months then ended in conformity with accounting principles generally accepted in the United States of America.


SANDBERG, GONZALEZ & CREEDEN, P.C.
Certified Public Accountants

Stoughton, Massachusetts
November 15, 2008

HABITAT FOR HUMANITY GREATER BOSTON, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008

ASSETS

Current Assets

Cash and cash equivalents	\$ 694,640
Pledges receivable	163,988
Advances to homeowners	18,142
Prepaid expenses and other current assets	52,135
Current portion mortgage and notes receivable	<u>213,867</u>
Total current assets	1,142,772

Property and Equipment

Office equipment	26,742
Furniture and equipment	<u>18,570</u>
Subtotal	45,312
Less: accumulated depreciation	<u>22,961</u>
Total property and equipment	22,351

Other Assets

Long term pledges receivable	35,000
Mortgages and notes receivable - net of current portion	4,123,304
Housing-land and buildings	190,585
Housing-land and construction in progress	3,318,924
Security deposit	10,628
Other deposit	<u>18,600</u>
Total other assets	<u>7,697,041</u>

Total Assets

\$ 8,862,164

LIABILITIES AND NET ASSETS

Current Liabilities

Accrued expenses and accounts payable	\$ 117,852
Down payment deposits	7,250
Notes payable - current portion	<u>241,962</u>
Total current liabilities	367,064

Long-Term Liabilities

Notes payable - net of current portion	365,358
Reserve for buyer's equity	<u>25,076</u>
Total long-term liabilities	390,434

Net Assets

Unrestricted	7,905,678
Temporarily restricted	<u>198,988</u>
Total net assets	<u>8,104,666</u>

Total Liabilities and Net Assets

\$ 8,862,164

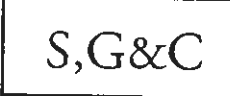
See accompanying notes and Independent Auditors' Report.

HABITAT FOR HUMANITY GREATER BOSTON, INC.

STATEMENT OF ACTIVITIES
FOR THE SIX MONTHS ENDED JUNE 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support and Revenue</u>			
Contributions and grants	\$ 384,575	\$ 62,500	\$ 447,075
Inkind contributions	167,842		167,842
Special events	66,558		66,558
Released from restriction	150,767	(150,767)	
Interest/dividend income	5,940		5,940
Realized loss on investments	(1,369)		(1,369)
Gain on sale of property	3,250		3,250
Rental income	1,650		1,650
Other income	<u>16,794</u>		<u>16,794</u>
<u>Total Support and Revenue</u>	796,007	(88,267)	707,740
<u>Expenses</u>			
Program services			
Family services expenses	75,313		75,313
Pre/post conveyance expenses	<u>738,610</u>		<u>738,610</u>
Total program services	813,923		813,923
General and administrative	120,514		120,514
Fundraising	<u>113,608</u>		<u>113,608</u>
<u>Total Expenses</u>	<u>1,048,045</u>		<u>1,048,045</u>
<u>Change in Net Assets</u>	(252,038)	(88,267)	(340,305)
<u>Net Assets - Beginning of Year as restated</u>	<u>8,157,716</u>	<u>287,255</u>	<u>8,444,971</u>
<u>Net Assets - End of Year</u>	<u>\$ 7,905,678</u>	<u>\$ 198,988</u>	<u>\$ 8,104,666</u>

See accompanying notes and Independent Auditors' Report.



HABITAT FOR HUMANITY BOSTON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE SIX MONTHED ENDED JUNE 30, 2008

	Family Services Expenses	Pre/Post Conveyance Expenses	Total Program Expenses	General and Administrative Expenses	Fundraising Expenses	Total Expenses
Salaries	\$ 35,428	\$ 112,456	\$ 147,884	\$ 42,078	\$ 42,053	\$ 232,015
Payroll Tax	3,682	11,677	15,359	4,403	4,376	24,138
Benefits	5,435	14,283	19,718	10,131	9,550	39,399
Salaries and related expense	44,545	138,416	182,961	56,612	55,979	295,552
Advertising	279	3,562	3,841			3,841
Applicant costs	750	1,388	2,138			2,138
Bad debt					6,012	6,012
Bank Charges	963	25	988	2,993	307	4,288
Consultants	6,879	90,419	97,298	39,347	10,212	146,857
Depreciation	519	557	1,076	222	557	1,855
Dues, fees and subscriptions	2,143	684	2,827	2,669		5,496
Equipment - small tools	629	12,826	13,455	269	674	14,398
Imputed interest		352,225	352,225			352,225
Insurance	955	20,216	21,171	1,245	1,070	23,486
Interest		2,673	2,673			2,673
Miscellaneous	185	127	312	1,074	562	1,948
Office supplies	4,188	4,592	8,780	1,511	4,561	14,852
Payroll services	268	788	1,056	303	319	1,678
Postage	867	923	1,790	369	7,180	9,339
Printing	1,519	1,493	3,012	1,016	13,450	17,478
Professional fees				7,629		7,629
Real estate taxes		6,811	6,811			6,811
Rent	7,722	15,891	23,613	3,309	8,274	35,196
Repairs and maintenance	105	20,005	20,110	45	112	20,267
Security		13,986	13,986			13,986
Special events	79		79		2,710	2,789
Staff training					60	60
Supplies		865	865			865
Title expense		35,562	35,562			35,562
Truck expenses		1,739	1,739			1,739
Telephone	709	802	1,511	1,634	801	3,946
Travel	25	290	315	35	188	538
Utilities	1,984	11,745	13,729	232	580	14,541
Total	\$ 75,313	\$ 738,610	\$ 813,923	\$ 120,514	\$ 113,608	\$ 1,048,045

See accompanying notes and Independent Auditors' Report.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2008

Cash Flows From Operating Activities

Change in net assets	\$ (340,305)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,855
Imputed interest expense	352,225
In-kind construction donations	(167,842)
(Increase) decrease in:	
Pledges receivable	150,620
Advances to homeowners	(7,377)
Prepaid expenses and other current assets	(5,080)
Increase (decrease) in:	
Accrued expenses and accounts payable	(33,724)
Deposits and escrows	6,121

Net Cash Provided (Used) by Operating Activities (43,507)

Cash Flows From Investing Activities

Purchased fixed assets	(23,494)
Rental deposit	400
Liquidation of marketable securities	25,495
Construction of housing improvements	(149,530)
Reduction in notes receivable-housing conveyed	253,220

Net Cash Provided by Investing Activities 106,091

Cash Flows From Financing Activities

Proceeds from notes and loans	47,500
Principal payments on notes and loans	(89,195)

Net Cash (Used) by Financing Activities (41,695)

Increase in Cash and Cash Equivalents 20,889

Cash and Cash Equivalents - Beginning of Year 673,751

Cash and Cash Equivalents - End of Year \$ 694,640

SUPPLEMENTAL INFORMATION:

Interest paid	\$ <u>2,673</u>
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See accompanying notes and Independent Auditors' Report.

HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Note 1. Organization

Habitat for Humanity Greater Boston, Inc. (HFHGB) is a charitable nonprofit Massachusetts corporation organized in December 1987. It is an affiliate of Habitat for Humanity International (HFHI), an organization with a grassroots structure which is dedicated to eliminating poverty housing from the earth and making poverty housing and homelessness socially and politically unacceptable in the world. HFHGB's mission is to help low-income families become homeowners in the Greater Boston area using the Habitat model of volunteer labor, donated materials and charitable contributions to construct housing. Each Habitat family helps build their home by providing at least 300 hours of "sweat equity." When the home is complete Habitat sells it to the family for the cost of construction and provides the family with a no-interest mortgage loan. HFHGB is responsible for raising funds for all of its projects, its annual operating budget and for "lithing" 10% of its unrestricted revenues to HFHI projects overseas.

Note 2. Summary of Significant Accounting Policies

a. Standards of Accounting and Reporting

The Organization follows the standards of accounting and financial reporting as described in the American Institute of Certified Public Accountants' Audit and Accounting Guide for "Not-for-Profit Organizations".

b. Financial Statement Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization.

c. Property and Equipment

These assets are recorded at cost when purchased or, if donated, at their estimated fair market value at the date of the donation. All acquisitions of property and equipment in excess of \$2,500 and all expenditures for repairs and betterments that materially prolong the useful lives of assets are capitalized.

HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

- d. Depreciation
Provisions for depreciation are made in the accounts using the straight-line method. Building improvements and the buildings to be conveyed to qualified buyers are not depreciated. Other fixed assets are depreciated over 3 to 7 years.
- e. Allocation of Expenses
Expenses are allocated among program and supporting services directly or on the basis of time records and utilization estimates made by the Organization's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.
- f. Cash and Cash Equivalents
For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Escrows required by financing arrangements are not considered cash or cash equivalents for financial statement purposes.
- g. Use of Estimates
The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- h. Housing Activities
As discussed above, HFHGB is a charity engaged in providing homeownership opportunities to low-income families living or working in the Greater Boston area. Upon completion of construction, the home is conveyed to a selected family for an affordable price which is equal to or less than the final accumulated development cost. HFHGB takes back a note for the purchase price at 0% interest and the note is secured by a first mortgage on the home. HFHGB takes back a second note, secured by a second mortgage, for the difference between the sale price of the home and its fair market value as determined by an independent appraisal. In some instances, in order to keep the purchase price affordable to the family, the selling price is less than the final accumulated development cost.

During this reporting period one family is occupying a unit prior to conveyance by HFHGB. The family is making monthly payments of \$500 to HFHGB toward the purchase price and those payments have been segregated in the statement of financial position as Reserve for Buyer's Equity. It is expected that the family will utilize their accumulated equity upon conveyance of title.

HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

i. Contributed Goods and Services

Contributed services are recognized as contributions in accordance with SFAS No. 116 "Accounting for Contributions Received and Contributions Made" if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by HFHGB. In-kind contributed goods and services were recorded as follows:

Construction goods and services	\$ 87,032
Professional services	<u>80,810</u>
Total contributed goods and services	<u>\$167,842</u>

In addition, HFHGB received other donated materials and supplies and the services of a substantial number of volunteers. These goods and services are not recognized as contributions in the financial statements since the criteria under SFAS No. 116 were not met. In the case of volunteers, whether construction related, administrative or Board Members, it is the policy of Habitat for Humanity Greater Boston, Inc. not to recognize the value of these services in the financial statements. While there are volunteers serving many needs of the Organization, it is not practical to quantify the value of these commercial services.

j. Restricted and Unrestricted Support and Revenue

Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

k. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional.

l. Compensated Absences

Vacation and sick pay are considered expenditures in the year paid. The Organization has not accrued compensated absences because the amount cannot be reasonably estimated.

HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(Continued)

Note 3. Tax Status

Habitat for Humanity Greater Boston, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code under a group exemption obtained by Habitat for Humanity International, Inc. (Atlanta, Georgia). In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Note 4. Uninsured Cash Balance

The Organization has cash deposits at various local financial institutions. At June 30, 2008, the Organization had the following on deposit:

Total funds on deposit	\$ 663,931
FDIC/SBIC insured balance	451,282
Total uninsured cash balance	<u>\$ 178,030</u>

Note 5. Notes Payable

Mortgages and notes payable consist of the following:

	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
<u>Habitat for Humanity International:</u>			
SHOP funds payable in monthly installments of \$908 at zero interest; due December 2009	\$ 10,896	\$ 509	\$ 11,405
<u>Dedham Institution for Savings:</u>			
Line of credit for development of Arrowhead Project dated 9/19/2003; maximum \$500,000; 0% interest; 36 month term; 42 month pay-down required; due March 2007. This line of credit was subsequently extended to March, 2010.	210,430	157,822	368,252
<u>Massachusetts Housing Finance Agency:</u>			
Loan dated November 29, 2001 totaling \$300,000 secured by five property loans conveyed to buyers; at a rate of 2.5%; at 6/30/08 requiring monthly payments of \$2,000 due to balance outstanding; due 2016;	19,723	160,665	180,388
Loan dated April 2, 2008 totaling \$600,000 secured by five property loans conveyed to buyers; at a rate of 2.5%; requiring monthly payments of \$158 due to balance outstanding; due May 2023;	913	38,862	39,775

HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(Continued)

Note 5. Notes Payable (Continued)

	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
Lawrence Model Lodging Houses Trust dated May 21, 2008 totaling \$7,500 at zero interest due on sale of 31 Ashton Street or within three (3) years;	_____	<u>7,500</u>	<u>7,500</u>
Total Notes Payable	<u>\$ 241,962</u>	<u>\$ 365,358</u>	<u>\$ 607,320</u>

Principal payments due over the next five years:

2009	\$ 241,962
2010	179,489
2011	29,193
2012	22,241
2013	22,804
Thereafter	111,631

Note 6. Lease Commitments

The Organization leased warehouse space on a tenant-at-will basis during the months of January and February at a cost of \$1,160 per month. Office space was rented under a sub-lease which expired in 2008. Base rent was \$30,940 per annum plus the pro-rata share of taxes and operating costs. In addition, the Organization provided a deposit of \$6,630 as security which was applied as a payment at the end of the lease.

In 2008, the Organization entered into a five year lease agreement at a new location expiring January 2013 with an additional five year option to renew. The lease required a \$5,000 security deposit plus the last month rent of \$5,628 in advance. Rent is stated at \$5,000 per month with a 3% increase each year. Total rent expense under both facility leases amounted to \$27,578 for the six months ended June 30, 2008. Future minimum lease payments are as follows:

2009	\$ 60,750
2010	62,573
2011	64,450
2012	66,383
2013	39,393

HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(Continued)

Note 7. Housing Activities

The following provides a summary of the Habitat for Humanity Greater Boston, Inc.'s construction and housing activities:

<u>Housing Units</u>	
Units Conveyed, subject to Mortgage Loans Serviced by Bank	53
Units Conveyed, subject to Mortgage Loans in Default or other issues	2
Units under renovation	1
Occupied Units, Conveyance Pending	1
Occupied Units as a tenant	1
Housing Units under Construction	<u>13</u>
Total	<u>71</u>

Note 8. Mortgage Notes Receivable

At conveyance of a unit to a homeowner, HFHGB receives a 20 to 30-year mortgage note with 0% interest. The amount reported in the statement of financial position is net of imputed interest. The rate used to calculate the imputed interest is the market rate at the time of conveyance. The following is a summary of the notes receivable at December 31:

Total unpaid balance	\$ 3,938,990
Imputed interest	<u>398,181</u>
Net present value of mortgage notes	<u>\$ 4,337,171</u>
Current portion	\$ 213,867
Long-term portion	<u>4,123,304</u>
Total	<u>\$ 4,337,171</u>

Estimated principal payments for the next five years:

2009	\$ 213,867
2010	213,867
2011	213,867
2012	213,867
2013	211,263
Thereafter	3,270,440

Note 9. Pledges Receivable

At June 30, 2008 the Organization had pledged contributions as follows:

Due 2009	\$ 163,988
Due 2010	<u>35,000</u>
Total pledged receivables	<u>\$ 198,988</u>

HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(Continued)

Note 10. Capitalization of Construction Costs

Construction expenses, which represent 17% of the Organization's operating budget, are capitalized pursuant to generally accepted accounting principles for financial statement purposes. Consequently, construction expenses are not shown as program expenses.

Note 11. Temporarily Restricted

Temporarily restricted net assets at June 30, 2008 consist of the following:

	<u>Total</u>
Development costs:	
Blue Hills/Time FY09	\$ 163,988
Blue Hills/Time FY10	<u>35,000</u>
Total	<u>\$ 198,988</u>

Note 12. Tax-Deferred Annuity Plan

The Organization maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers any employees electing to participate and is entirely funded with employee contributions up to the maximum amount allowed by the Internal Revenue Code.

Note 13. Related Party Transaction

During the six months ended June 30, 2008, a board member was employed at a company that does business with the Organization. The position is separate from any activities involving the Organization.

Note 15. Restatement of Net Assets

During 2008, the Organization voted to change the reporting method for the recognition of the transfer/sale of housing to a homeowner. In prior years that transfer recognized no income or loss but recorded a reserve balance on the Statement of Financial Position to be utilized for future events. Effective January 1, 2008, the Organization will record these transactions as described in Note 2. As no property was conveyed during the six months ended June 30, 2008 this change has been reported as a restatement of prior year net assets. The net effect of this change has resulted in a decrease in net assets at December 31, 2007 totaling \$918,862.

Net assets as previously reported at 12/31/07	\$ 9,363,833
Effect change in accounting principal	<u>(918,862)</u>
Net assets as restated	<u>\$ 8,444,971</u>